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Report Highlights:
Australian wheat production for 2013/14 is estimated at 27 MMT, representing an upward revision of 3 percent from Post's previous forecast of 26.2 MMT. Wheat export estimates remain at 18.6 MMT despite the higher production, due to lower carry-over stocks from 2012/13. Post's forecast for barely production is expected to decline in 2014/15 to 7.7 MMT. Barley production estimates for 2013/14 have been revised to 9.6 MMT, in line with USDA official estimates. Sorghum estimates for 2013/14 have been further reduced from Post's previous estimate to 1.27 MMT to reflect smaller final planting areas and continuing adverse seasonal conditions.

Commodities:

Wheat
Barley
Sorghum
Rice, Milled

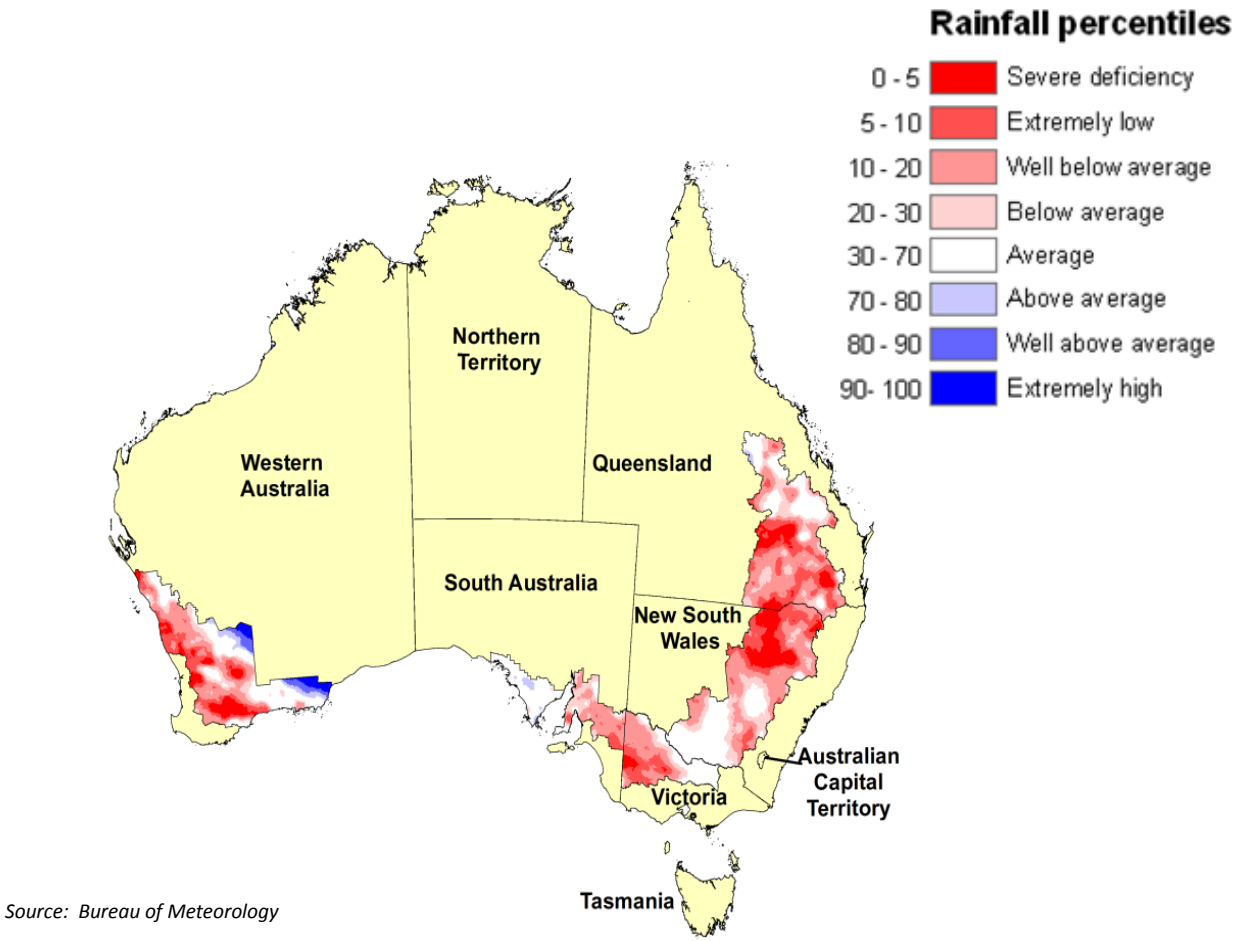
Seasonal conditions

Since the last Grain and Feed Update seasonal conditions across Australia have remained variable with persistent drought conditions marked by periods of heavy rains, with some areas in the west and along the east coast receiving very high rainfall while other areas have remained very dry. The 2013/14 Australian summer is one of the hottest on record with extreme temperature records set in several states and territories.

This trend has continued with production in Western Australia, South Australia and Victoria forecast to increase in 2013/14 due to favorable conditions and above-average rainfall, especially in the central and southern regions of Western Australia. In contrast, hot and dry seasonal conditions in New South Wales and Queensland during Spring (September to November) were followed by unfavorable seasonal winter growing conditions (June to August). Late frosts in October last year also adversely affected crops in central and southern New South Wales. Yields in both Queensland and New South Wales are expected to be lower compared to the 2012/13 season, while average yields in Victoria are forecast to rise slightly. When combined with an estimated increase in planted area for 2013/14 of 2 per cent, total production in Victoria is expected to be up by 3 per cent.

The Bureau of Meteorology's latest seasonal rainfall outlook indicates a drier than normal 2014 Australian autumn (March to May) more likely for cropping areas across Queensland, central and southern New South Wales, Victoria and southeastern part of the Northern Territory, with a 60 percent chance of below-average rainfall for these areas. A wetter than normal autumn is likely for the southern and western cropping areas of Western Australia.

Rainfall percentiles for major cropping regions, November 1, 2013 to January 31, 2014



Source: Bureau of Meteorology

Winter crops

Wheat

The 2013/14 wheat harvest is complete and final numbers indicate total production of 27 MMT, a slight upward revision of Post's previous estimate. The final harvested area was 13.5 million hectares with an average yield of 2 t/ha. As discussed in the January update, late frosts in October last year also adversely affected crops in central and southern New South Wales.

Planting of the 2014/15 crop is still at least six weeks away and while eastern parts of New South Wales and Queensland have received good rain in recent weeks, soil moisture levels in western and southern

New South Wales and in Victoria are well below average. However, the majority of the Western Australian wheat belt has also received reasonable rain. Assuming overall an increase in planting area to 13.6 million hectares and improved yields compared to 2012/13 (1.76t/ha), total wheat production for 2013/14 is likely to be in the order of 27MMT.

Australian wheat exports for 2013/14 (July/June) are forecast to decline by 13 per cent to around 18.5 MMT. Although Australian wheat production is forecast up from 2012/13, the supply for exports in 2013/14 is expected to decline because of lower carry-over stocks from the previous season.

Bulk export terminals in Australia are owned by six large companies but as the wheat export industry is now fully deregulated these companies are required to provide access to their port facilities for other grain exporters. In Western Australia (which is predominately export oriented) and South Australia an auction system has been designed in which grain exporters bid to secure terminal space for a particular period. The exporter must then purchase grain to fill the allotted 'slot' or pay a penalty fee. However the auction process has proven to be cumbersome and time consuming. In Western Australia the auction was only resolved after several delays while the South Australian system collapsed altogether and reverted to a 'first-come, first served' basis. In the eastern states Graincorp also allocates the majority of space on a 'first-come, first-served' basis but does sell some capacity up to three years in advance. The cost and risk of reserving this space is seen by some as a barrier to smaller exporters.

Under the *Wheat Export Marketing Amendment Act 2012* which finalized deregulation of the Australian wheat export industry a voluntary code of conduct for allocating export capacity is to be developed. However there is still disagreement amongst industry as to the best way to achieve this and recommendations from the appointed committee are not due until July 2014.

Production, Supply and Demand Data Statistics:

Wheat Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12,773	12,773	13,500	13,500		13,640
Beginning Stocks	7,045	7,045	4,244	4,244		4,914
Production	22,461	22,461	27,000	27,000		24,795
MY Imports	135	135	130	120		120
TY Imports	136	136	130	120		120
TY Imp. from U.S.	2	0	0	0		0
Total Supply	29,641	29,641	31,374	31,364		29,829
MY Exports	18,657	18,657	19,500	19,500		19,500
TY Exports	21,269	21,269	18,500	18,500		19,100
Feed and Residual	3,400	3,400	3,600	3,600		3,600
FSI Consumption	3,340	3,340	3,350	3,350		3,350
Total Consumption	6,740	6,740	6,950	6,950		6,950
Ending Stocks	4,244	4,244	4,924	4,914		3,379
Total Distribution	29,641	29,641	31,374	31,364		29,829
1000 HA, 1000 MT, MT/HA						

Barley

Higher than previously forecast yields due to favorable weather conditions, combined with an increase in area planted to barley, have caused Post to revise upward the total barley crop for 2013/14 to 9.6 MMT in line with USDA official estimates. Yield quality was also reasonably high with approximately 60 percent making malting grade.

Exports for 2013/14 are estimated at 6.5 MMT, an upward revision 1 million tons and 45 per cent increase from exports in 2012/13. The upward revisions reflect excellent yields and an increase in planted area for Australian barley, especially in the states of Western and South Australia where production tends to be exported.

Barley suffers from the same forecasting constraints as wheat at this time with planting of the 2014/15 crop still some weeks off. Assuming normal weather patterns and trend yields it is expected that production will decline in 2014/15 to 7.7 MMT. However, with seasonal conditions still variable and low soil moisture levels in several key cropping areas many growers will hold off on making planting decisions until closer to the planting window.

Production, Supply and Demand Data Statistics:

Barley Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: Nov 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,622	3,622	4,000	4,000		3,800
Beginning Stocks	549	549	533	533		333
Production	7,466	7,466	9,600	9,600		7,700
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	8,015	8,015	10,133	10,133		8,033
MY Exports	4,482	4,482	5,500	6,500		4,700
TY Exports	4,621	4,621	5,500	6,500		4,700
Feed and Residual	1,800	1,800	2,700	2,000		1,800
FSI Consumption	1,200	1,200	1,300	1,300		1,200
Total Consumption	3,000	3,000	4,000	3,300		3,000
Ending Stocks	533	533	633	333		333
Total Distribution	8,015	8,015	10,133	10,133		8,033

1000 HA, 1000 MT, MT/HA

Summer crops

Sorghum

A severe lack of summer rainfall reduced the harvested area for the 2013/14 sorghum crop to 493,000 hectares, a 17 percent decline from harvested area in 2012/13. Extreme temperatures early in the season affected early sown crops, some of which were then impacted by flooding. These events have caused some complete losses but the greater impact is expected to be quality downgrades from the late rain and a delayed harvest which also increases the risk of disease.

As a result of the smaller area and weather affected yields, total production for 2013/14 is expected to be only 1.27 MMT, up from USDA official estimates.

Prior to harvest 2013/14 beginning, forecasters were expecting an average yield of 2.9t/ha for sorghum across the growing area. Extreme temperatures early in the season affected early sown crops, some of which were then impacted by flooding. These events have caused some complete losses but the greater impact is expected to be quality downgrades from the late rain and a delayed harvest which also increases the risk of disease.

Production, Supply and Demand Data Statistics:

Sorghum Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	595	595	500	493		672
Beginning Stocks	230	230	180	180		85
Production	2,005	2,005	1,200	1,270		2,270
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	2,235	2,235	1,380	1,450		2,355
MY Exports	1,250	1,250	600	710		485
TY Exports	1,425	1,425	600	710		485
Feed and Residual	800	800	700	650		1,000
FSI Consumption	5	5	5	5		10
Total Consumption	805	805	705	655		1,010
Ending Stocks	180	180	75	85		860
Total Distribution	2,235	2,235	1,380	1,450		2,355
1000 HA, 1000 MT, MT/HA						

Rice

Australian rice production for MY 2013/14 (year begin March 2014) is forecast to decline 22 percent to 907 TMT, assuming a return to average yields of 8.98 t/ha from the above-average 10.23t/ha reached in 2012/13.

Production, Supply and Demand Data Statistics:

Rice, Milled Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	114	114	101	101		100
Beginning Stocks	40	40	120	120		73
Milled Production	840	840	653	653		648
Rough Production	1,167	1,167	907	907		900
Milling Rate (.9999)	7,200	7,200	7,200	7,200		7,200
MY Imports	140	140	150	150		150
TY Imports	140	140	150	150		150
TY Imp. from U.S.	0	0	0	0		0
Total Supply	1,020	1,020	923	923		871
MY Exports	500	500	500	500		450
TY Exports	460	460	500	500		400
Consumption and Residual	400	400	350	350		300
Ending Stocks	120	120	73	73		121
Total Distribution	1,020	1,020	923	923		871
1000 HA, 1000 MT, MT/HA						